Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

SECRET

171

Current Support Brief

ANNOUNCED MILITARY EXPENDITURES RISE IN THE EUROPEAN SATELLITES

CIA/RR CB 63-33

3 April 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

SECRET

GROUP 1
Excluded from automatic downgrading and declassification

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

ANNOUNCED MILITARY EXPENDITURES RISE IN THE EUROPEAN SATELLITES

In 1962, for the second straight year, announced expenditures for national defense in the European Satellites increased substantially, and smaller increases are planned for 1963 (see the table). All of the Satellites spent more on defense than they had planned in 1961, probably because of the intensification of the Berlin crisis. At least some of the Satellites also exceeded their planned defense expenditures for 1962, possibly in connection with the Cuban situation. In most of the Satellites the share of defense in over-all budgetary expenditures has gone up somewhat since 1960, and there are indications that rising defense costs have added to the economic strain that was already being felt in some of these countries, notably Czechoslovakia.

Expenditures in 1961

Percentage increases in announced defense expenditures in 1961 were the largest in many years for most of the Satellites. Czechoslovakia apparently registered the largest increase, but expenditures grew substantially also in Poland, Hungary, and Bulgaria, as is shown in the following tabulation:

	Percentage Increase in 1961 over 1960		Percentage Increase in 1962 over 1961		Percentage Increase in 1963 over 1962
	Planned	Actual*	Planned	Actual*	Planned
Bulgaria	15	21	4	19	15
Czechoslovakia	8	23	0.3	4	0.2
Hungary	9	13	40	N.A.	32
Poland	13	14	15	N.A.	12
Rumania	3	7	10	N.A.	3

* As officially reported.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Table

Actual and Planned Defense Expenditures in Selected European Satellites
1960-63

	1960 (Actual)	1961 (Plan)	1961 (Actual)	1962 (Plan)	1962 (Actual)	1963 (Plan)
Budgeted defense expenditures						
	Current Prices					
Poland (million zlotys)	14,920	16,800	17,019	19,500	N.A.	21,783
Czechoslovakia (million crowns) a/	8,783 b/	9,512	10,822	10,854	11,300	11,323
Hungary (million forints)	3,100 b/	3,376	3,500	4,913	N.A.	6,500
Rumania (million lei)	3,392	3,503	3,639	3,988	N.A.	4,120
Bulgaria (million new leva)	179	206	217	225	259	297
Defense expenditures as a percent of total budget expenditures						
	Percent					
Poland	7.5	7.4	7.8	7.9	N.A.	8.4
Czechoslovakia	8.5	8.5	9.4	8.8	N.A.	9.0
Hungary	4.6	4.5	4.6	5.9	N.A.	7.3
Rumania	6.1	5.4	5.7	5.1	N.A.	5.1
Bulgaria	6.0	6.25	6.6	6.0	7.8	8.2

a. Including expenditures for public security.
b. Plan figures.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Part of the rise in Polish defense expenditures in 1961 probably is attributable to the sharp increase in prices of most industrial goods, including goods purchased by the armed forces, in mid-1960, but there is no indication of price changes sufficiently large to affect significantly the defense budgets of the other Satellites. As the tabulation shows, an important part of the increases in defense expenditures during 1961 -- more than half in Czechoslovakia and Rumania -- was in excess of those originally planned for the year.

Expenditures in 1962 and planned for 1963

On the average, Satellite defense expenditures probably increased at least as much in 1962 as in 1961. Bulgaria and Czechoslovakia had planned very small increases, but actual expenditures were far in excess of plan. Even with the added defense costs during the year, the growth of defense expenditures in Czechoslovakia was much smaller than in 1961. In Bulgaria, expenditures grew about as fast as in 1961, but may have been influenced by price increases for foodstuffs. The other Satellites have released data only on planned expenditures, which probably were exceeded as a result of the Cuban crisis. These plans call for a larger percentage increase than in 1961 in Hungary and Rumania and about the same increase in Poland. (East Germany, which is not covered in the table, announced an increase of more than 150 percent in expenditures in the 1962 plan, but this increase probably reflects mainly a transfer to the published defense budget of military expenditures formerly hidden in other budget categories.)

For 1963, the Satellites, except Hungary and Bulgaria, are planning a smaller growth of defense expenditures than in the past 2 years, and it is possible that the Bulgarian figure reflects the financing of a larger part of security forces through the defense budget. East Germany announced that its defense expenditures would not change.

Burden of Military Expenditures

The share of announced defense expenditures in the total State budget has risen significantly since 1960 in Poland, Hungary, and Bulgaria, as

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

is shown in the table. In Czechoslovakia the share rose in 1961 but has declined slightly since then. In none of the countries, however, do defense expenditures make up as large a part of the budget as in 1955 -- before the series of cutbacks in military forces that occurred during 1956-58.

The announced defense expenditures understate the cost of the military effort of the Satellites. Excluding expenditures for the security forces and occupation costs, East Germany before 1962 spent more than three times as much on the military as the announced defense budget of about 1 billion marks, and even the broadened defense budgets of 1962-63 leave out a significant part of military expenditures. There is little indication as to whether or not large components of military expenditures are left out of the announced defense budgets of the other Satellites. In any case, however, in all the Satellites, defense costs are understated because of the practice of setting artificially low prices for some types of goods purchased for the armed forces. Prices of military hardware and of most industrial materials used by the armed forces, like those of the majority of producer goods, do not cover all costs of production. Moreover, in East Germany, and possibly also in other Satellites, prices charged to buyers, including the military, by agricultural procurement organizations, are well below those paid to the farmers. If all costs were fully covered in the prices charged for military purchases, the defense burden probably would average above 5 percent of gross national product in the Satellites instead of the apparent share of less than 4 percent.

The recent rise in defense expenditures probably is too small to have involved a major reallocation of resources in the Satellites, but because some of the countries, notably Czechoslovakia, already had overcommitted their resources to investment programs, the added defense burden increased the strain on the economy and may have contributed to shortfalls in production and investments in 1961 and 1962.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Analyst: [redacted]

Coord:

25X1A

Sources: Official statistical publications and plan fulfillment documents.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Analyst: [redacted] A/E

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

OFFICE OF RESEARCH AND REPORTS

25X1A

Control Staff

Control Sheet

SECRET

GROUP 1
Excluded from automatic downgrading and declassification

Series Number CIA/RR CB 63-33 Classification

Date of Document 3 April 1963 Number of Copies 275

Copy No.	Recipient	Date	Returned
158 - 223	Rec'd in St/P/C		
1	DAD/RR	3 Apr 63	28 Jun 63
25X1A 158	[redacted], LS/CR for: Leon Lewins, Bureau of International Programs, Room 1311, Main Commerce Bldg.	5 Apr 63	
159	[redacted]	5 Apr 63	
160		"	
25X1C 161		"	
162		"	
163		"	
164		"	
165 - 168		29 May 63	
169 - 223	Filed in St/P/C	5 Apr 63	
25X1A 169	[redacted] St/P	"	
170	D/GC	"	
25X1A 171	[redacted] OCR	"	9 Apr 63
25X1A 172 - 174	Mr. Robert Mandelstam, Pentagon, via OCR	8 Apr 63	
33421	Received in St/P/C	8 Apr 63	
34	Received from DAD/RR	12 Apr 63	
25X1A 175	[redacted] St/PR	24 Apr 63	
224	Received from St/PR	10 June 63	
25X1C 34	[redacted]		
25X1C	[redacted]	11 June 63	
25X1A 171	[redacted] LS/CR for Agriculture	18 Jun 63	18 Jun 63
22	Received from O/DDI	11 Sept 63	
223	St/RR for OCR	30 Sept 63	7 Oct 63
25X1A 181 - 182	[redacted] OTR/ISD	7 Oct 63	
177	Not to Gen. McGee, USArmy, Not to War College	17 Oct 63	NOT SENT 22 Oct 63
223	Not to Lt. Col. John C Alpine, Not to War College	17 Oct 63	21 Oct 63
177	Mr. Semmer, State INR, via CIA Ly.	5 Nov 63	
178	Mr. Semmer, State INR via CIA Ly.	21 Nov 63	
21, 1, 22, 33, 224, 184 - 222	Records Center	10 Jan 64	
180, 183	Records Center	7 Dec 64	
176, 179, 223	R C	14 Jun 65	

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

S-E-C-R-E-T

SUBJECT: Distribution of Current Support Brief No. 63-33, Announced Military Expenditures Rise in the European Satellites --- 3 April 1963 (Secret)

Copy No.	Recipient	
2	O/DDI - [redacted], Room 7E32 Hq.	25X1A
3 - 4	NIC	
5 - 12	OCI Internal	
13 - 15	ONE	
16 - 21	St/CS/RR	
22	O/DDI - [redacted]	25X1A
23 - 31	NSA [redacted]	25X1A
32	NSAL	
33 - 275	ORR/St/I/D Distribution	(sent direct to St/I/D, 4 April 1963).

(Distributed by OCI)

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

ORR/St/I/D Distribution of Current Support Brief No. 63-33, Announced
Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9
Military Expenditures Rise in the European Satellites --- 3 April 1963
(Secret)

Copy No.	Recipient
33 ~~xx~~	AD/RR
34 ~~xx~~	DAD/RR
35 ~~xx~~	Ch/E
224 ~~xx-xx~~	St/PR
36-40	D/A (1 each branch)
41-46	D/MS (1 each branch)
47-53	D/R (1 each branch)
54-61	D/M (1 each branch)
62-70	D/I (1 each branch; 2 for I/TF)
71-73	D/CG
74-77	St/I (1 each branch)
78	EIC/S
79	St/FM
80	Analyst/Branch [redacted] A/E) 25X1A
81	CR/CR
82	BR/CR
83	IR/CR
84	Library/CR
85	IPI/CR
86	VMR, [redacted] 25X1A
87	AD/OO
88	Chief, FDD
89	CD/OO
90-92	RID/AN, Unit 4
93-95	OSI
96	OBI
97	OTR/IS/IP, Room GC11, Hq. 25X1A
98	NPIC/CSD/REF, Room 1S518, [redacted]
99	Commandant Nat'l. War College, Ft. Leslie McNair, Attn: Classified Records Section, Rm. 26, Nat'l. War College Bldg., Wash. 25, D.C.
100-110	ACSI/Army, Room 1D479, Pentagon
111-124	Navy, Director ONI, Room 5D659, Pentagon
125-134	HQ. USAF, Attn: AFCIN-3D1, Room 4B137, Pentagon
135-136	Ass't. Secretary of Defense, ISA, Room 4D825, Pentagon
137-140	USIA, Attn: W. Phelps, IRR/D, Room 701, Walker Johnson Bldg., 1734 New York Ave., N.W.
141-152	State, INR Communications Center, Room 7818, State Dept. Bldg.
153-154	DIA, Services Division, Publications Section, Room 2C230, Pentagon
155-156	Dr. Neilson Debevoise, NSC, Room 365, Executive Office Building
157	Dept. of the Treasury, Office of International Finance, Mrs. E. D. Downing, Room 5421, 15th St. & Pennsylvania Ave., N.W., Attn: William Turpin, Special Ass't. to Secretary of the Treasury, Room 3330, Treasury Bldg.
158-223	St/P/C, Room 4F41, Hq. (held in St/P/C, 4 Apr 63).
225 ~~xxx~~-275	Records Center

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

Excluded from automatic downgrading and declassification

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9

ORR PUBLICATIONS CONTROL PROCESSING SHEET

Subject CIA/RR CB 63-33

Analyst [redacted] 25X1A Branch A/E

	Date	Initials	Remarks
I. IN			
Unedited draft	5 Apr 63	MB	Deletions [redacted] 25X1C
Edited draft			Remove page 5.
Other			
II. SECURITY			
a) Text check		25X1C	[redacted]
b) Sources to be check			Remove cover; Remove page 5.
Release authorized / Releasable to [redacted] 25X1C	29 May 63	MB	[redacted] Retype cover — omit all but title, classification, date, and copy number. Remove page 5.
c) [redacted]	25X1C		
d) Release requested:			
1) initiated			
2) received			
III. OUT			
Report #1 sent to AD/RR			
Report #2 sent to DDI			
Report #3 given to [redacted] for sanitizing	25X1A		
OL/PSD notified to disseminate			

Approved For Release 2000/06/07 : CIA-RDP79T01003A001600040001-9